



**NEW JERSEY DEPARTMENT OF
TRANSPORTATION
BUREAU OF AUDITING
EXTERNAL AUDIT SECTION**

**REVIEW PROGRAM
FOR
UTILITY RELOCATION PROJECTS**

COMPANY:

STATE PROJECT #:

FAP NO.:

PHASE

All deviations from the standard review program have been discussed with, reviewed by and approved by:

Supervisor's Name:

Title:

Date:

STATE OF NEW JERSEY
DEPARTMENT OF TRANSPORTATION
BUREAU OF AUDITING
REVIEW PROGRAM

PREPARED BY: _____
DATE: _____
REVIEWED BY: _____
DATE: _____



GENERAL CONSIDERATIONS

NOTE TO THE AUDITOR

The following review program is not all-inclusive but is presented as a guide to use in the audit of a utility relocation project. The auditor, based upon their experience and the situations as they arise, may have to amend the procedures in order to meet the requirements of the audit.

If additional procedures are required, they should be added to the appropriate section(s) of the review program. Each review program procedure must contain a notation that it was performed. For any procedure not performed an explanation must be included.

COMPLIANCE CRITERIA

The regulations applicable to the closeout of a Utility relocation project are the terms of the State/Utility Agreement(s) which should include, at a minimum, 48 CFR 31, 23 U.S.C. 112, the Federal-Aid Policy Guide Title 23 CFR Part 645 and/or the Federal-Aid Highway Program Manual Volume 1, Chapter 4, Sections 3 & 4, and the New Jersey Administrative Code Title 16, Chapter 25.

ERRORS, IRREGULARITIES, AND ILLEGAL ACTS

The Field Work Standards of the Government Auditing Standards require that steps and procedures be designed to provide reasonable assurance of detecting errors, irregularities and illegal acts that could have a direct and material impact. The steps contained herein are intended to provide this reasonable assurance.

Additional steps and procedures are to be devised if the auditor has reason to believe that fraud, abuse, or improper or illegal acts may exist.

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I. PLANNING PHASE AND AUDIT OBJECTIVES

1. Review the agreement(s), estimates, correspondence, and change in scope agreements. Summarize pertinent information included in the agreement (relocation agreements should include three parts: terms & conditions, plans and drawings, and project estimates).
2. Summarize the utility billing(s) by each cost category:
 - a. Prepare a summary statement with estimated costs, costs presented, audit adjustments, and as adjusted columns for each cost category.
 - b. Compare costs per the billing and estimate in order to determine areas where variances occur. If total billed costs exceed estimated costs, check with contract administrator for overrun approval, supplemental agreement, et al.
 - c. Compare costs per the billing and estimate for any betterment and/or extended service life credits and investigate variances. It should be noted that some companies often bill betterment items at the price of an equivalent facility.
3. Review adjustments for propriety and obtain the necessary documentation to support the adjustments.
4. Compare authorization dates to the date work began. Any costs incurred prior to the date to proceed are unallowable.
5. The audit objectives should evaluate and determine that costs included in rate computations are actual, allowable, allocable, and reasonable. Costs should be consistently treated in the utility cost accounting system.

Initials/Date	WP Reference



II. **REVIEW AND EVALUATION OF INTERNAL CONTROLS**

BACKGROUND

- Generally accepted government auditing standards requires a sufficient understanding of the internal control structure is obtained to plan the audit and determine the nature, timing, and extent of tests to be performed.
 - The elements of internal controls that must be considered include but are not limited to: 1) Compliance with applicable governmental regulations 2) Assessing and documenting the risks of material misstatement, whether due to error or fraud 3) Understanding the application software that supports significant accounts and classes of transactions 4) Obtaining an understanding of related party and inter-organizational transactions.
 - The extent of your testing will be determined by the adequacy of the internal controls.
1. The auditor should review prior working paper files (if applicable) for information related to the internal control structure.
 2. Review the permanent file (if applicable) on the Company for information on the firm's internal control structure.
 3. Obtain an understanding of the internal control structure through the Internal Control Questionnaire (ICQ), flow charts, and survey interviews. The ICQ must be completed by the utility & reviewed by the CPA firm. The preliminary evaluation must be summarized including your conclusions as to the expected reliability of the internal control structure.
 4. Correlate your reliance/non-reliance on the internal control structure to your level of testing of labor and/or direct costs.

Initials/Date	WP Reference



III. LABOR

Choose a representative sample of labor costs billed and perform the following tests:

1. Trace labor hours billed to the original employee timesheets.
2. Trace hourly labor rates to payroll records.
3. Verify that employees were eligible for overtime and rates were at time-and-a-half.
4. Ensure that overtime is equitable (if an employee is consistently paid overtime after ten hours worked, then is paid overtime after eight hours, the premium overtime cost should be questioned).
5. Ensure timesheets are approved by duly authorized personnel.
6. Ensure there is proper segregation of duties between the payroll timekeeping, computation, preparation, and distribution responsibilities.

NOTE: Premium time, if allowable, should be billed exclusive of additives.

IV. BUY AMERICA

1. For all utility agreements executed after December 31, 2013 that have federal funding for utility materials or relocations, ensure the utility complied with all applicable Buy America requirements as set forth in 23 U.S.C. 313 and 23 CFR 635.410.



Initials/Date	WP Reference

V. MATERIALS

1. Determine if material charges were accurate. Ensure there was a credit for materials placed back in inventory as returns or salvage.
 - a. Summarize major material installations and removals from the following (major materials are items of large or small quantities installed that have a significant dollar value or are for significant work being performed; betterment items should also be a part of the major material analysis):
 1. Agreement estimate and any changes in scope
 2. Billings
 - b. Compare material quantities and costs to material distributions:
 1. Billed vs. Estimated
2. Compare quantities to storeroom requisitions. Investigate significant variances.
3. Compare unit prices to Company inventory pricing reports.
4. Material Handling: Compare amount billed for material handling to the audited or submitted rates on file.



Initials/Date	WP Reference

VI. DEPRECIATION

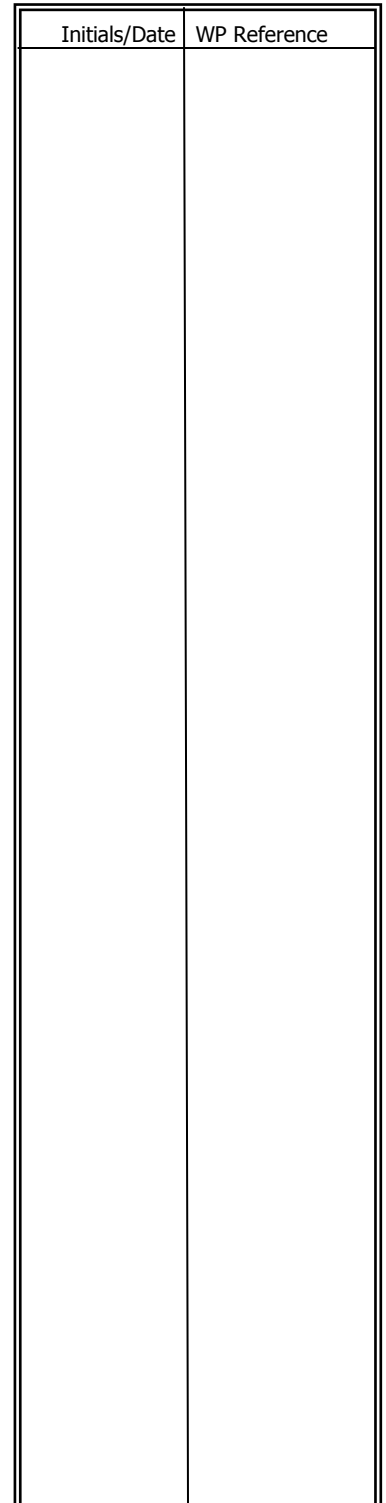
1. Make a copy of the depreciation worksheet submitted by the utility and verify original cost to the property retirement books and installation date to source documents.
2. Recalculate the utility's computations. [**Major Materials only**]
3. Compare materials on the depreciation schedule with the estimate. [**Major Materials only**]
4. Compare materials on the depreciation schedule with the salvage schedule for consistency. [**Major Materials only**]

VII. SALVAGE

1. Obtain a copy of the junk salvage worksheet if available.

Note: If stated in the agreement, temporary materials salvaged are credited at a higher rate than junk. Also inquire about temporary materials installed which have not been salvaged.

2. Compare salvage quantities and credits to material distributions.
3. Compare salvage unit prices to salvage price lists.





XI. OTHER COMPLIANCE REQUIREMENTS

- A. Perform any additional procedures required as deemed necessary under the circumstances. Note the procedures performed below.

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